

FRANKLIN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2013

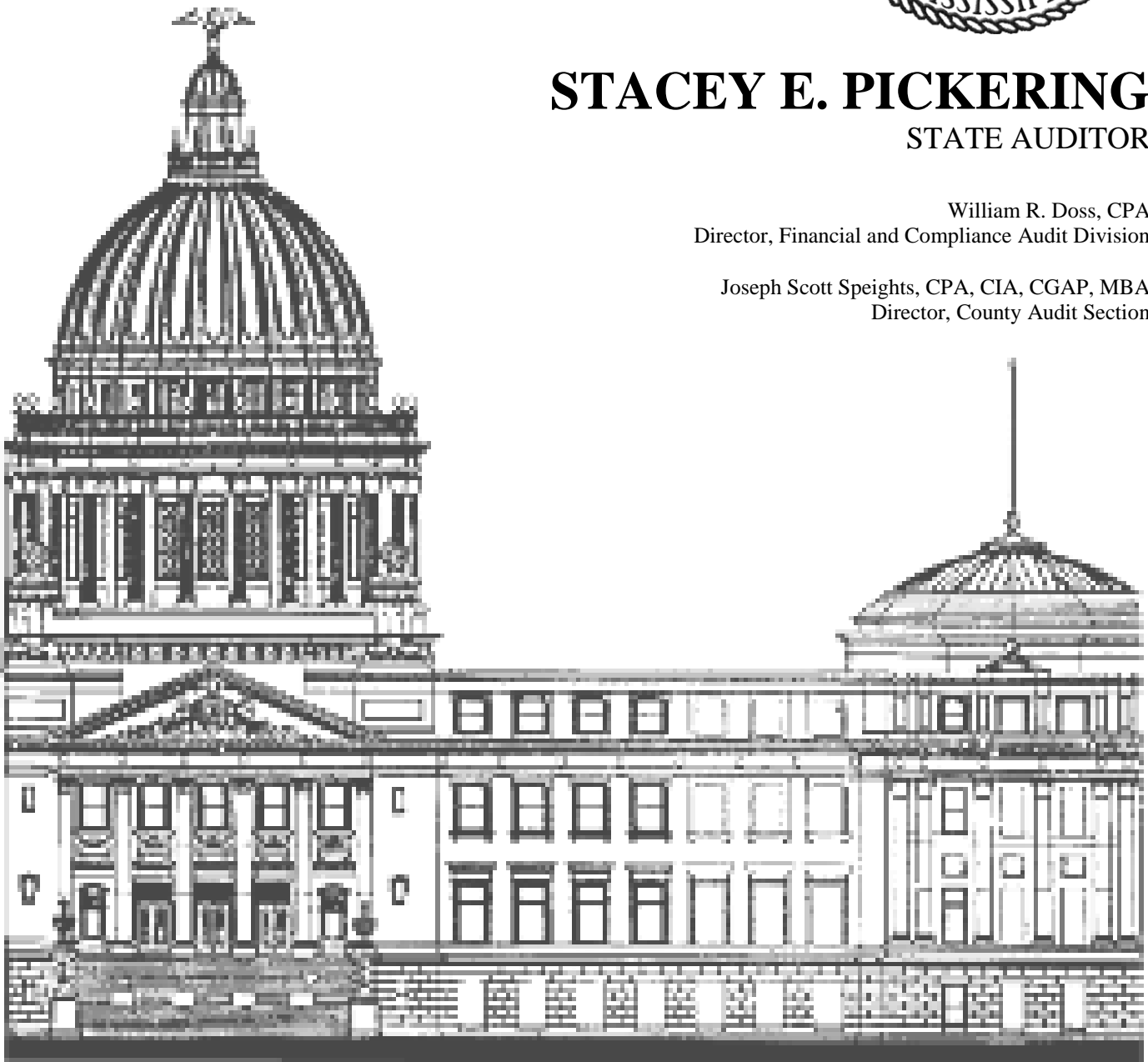


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

April 11, 2014

Members of the Board of Supervisors
Franklin County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Franklin County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Franklin County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Franklin County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

FRANKLIN COUNTY

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FRANKLIN COUNTY

FINANCIAL SECTION

FRANKLIN COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Franklin County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis assets, net position, receipts and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the cash basis financial position of the aggregate discretely presented component units of Franklin County, Mississippi, as of September 30, 2013, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of September 30, 2013, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Franklin County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

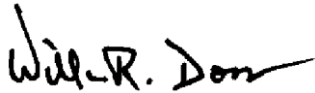
Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Budgetary Comparison Schedules, Schedule of Investments, Schedule of Interfund Loans and Advances, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014, on our consideration of Franklin County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 11, 2014

FRANKLIN COUNTY

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FRANKLIN COUNTY

FINANCIAL STATEMENTS

FRANKLIN COUNTY

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FRANKLIN COUNTY
Statement of Net Position - Cash Basis
September 30, 2013

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 9,314,241	129,307	9,443,548
Total Assets	<u>9,314,241</u>	<u>129,307</u>	<u>9,443,548</u>
NET POSITION			
Restricted:			
Expendable:			
General government	131,073		131,073
Public safety	1,330,683		1,330,683
Public works	5,186,472	129,307	5,315,779
Health and welfare	495,795		495,795
Debt service	55,116		55,116
Unemployment compensation	29,197		29,197
Unrestricted	<u>2,085,905</u>		<u>2,085,905</u>
Total Net Position	<u>\$ 9,314,241</u>	<u>129,307</u>	<u>9,443,548</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,617,725	264,425	3,959		(1,349,341)		(1,349,341)
Public safety	1,031,135	119,258	81,011		(830,866)		(830,866)
Public works	2,607,406		1,306,293	101,444	(1,199,669)		(1,199,669)
Health and welfare	255,295		150,449		(104,846)		(104,846)
Culture and recreation	6,469				(6,469)		(6,469)
Education	403,114				(403,114)		(403,114)
Conservation of natural resources	63,916				(63,916)		(63,916)
Economic development and assistance	6,926				(6,926)		(6,926)
Debt service:							
Principal	93,679				(93,679)		(93,679)
Interest	57,164				(57,164)		(57,164)
Total Governmental Activities	<u>6,142,829</u>	<u>383,683</u>	<u>1,541,712</u>	<u>101,444</u>	<u>(4,115,990)</u>	<u>0</u>	<u>(4,115,990)</u>
Business-type activities:							
Solid Waste	<u>599,185</u>	<u>426,229</u>	<u>2,545</u>			<u>(170,411)</u>	<u>(170,411)</u>
Total Business-type Activities	<u>599,185</u>	<u>426,229</u>	<u>2,545</u>	<u>0</u>		<u>(170,411)</u>	<u>(170,411)</u>
Total Primary Government	<u>\$ 6,742,014</u>	<u>809,912</u>	<u>1,544,257</u>	<u>101,444</u>	<u>(4,115,990)</u>	<u>(170,411)</u>	<u>(4,286,401)</u>
General receipts:							
Property taxes					\$ 2,290,249	218,168	2,508,417
Road & bridge privilege taxes					112,459		112,459
Grants and contributions not restricted to specific programs					746,130		746,130
Unrestricted interest income					11,229	143	11,372
Miscellaneous					237,106	1,226	238,332
Proceeds from debt issuance					<u>32,000</u>		<u>32,000</u>
Total General Receipts and Other Cash Sources					<u>3,429,173</u>	<u>219,537</u>	<u>3,648,710</u>
Changes in Net Position					(686,817)	49,126	(637,691)
Net Position - Beginning					<u>10,001,058</u>	<u>80,181</u>	<u>10,081,239</u>
Net Position - Ending					<u>\$ 9,314,241</u>	<u>129,307</u>	<u>9,443,548</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2013

Exhibit 3

	<u>Major Funds</u>			
	<u>General</u>	<u>Countywide Bridge and Culvert Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 2,085,905	1,779,574	5,448,762	9,314,241
Total Assets	\$ <u>2,085,905</u>	<u>1,779,574</u>	<u>5,448,762</u>	<u>9,314,241</u>
FUND BALANCES				
Restricted for:				
General government	\$		131,073	131,073
Public safety			1,330,683	1,330,683
Public works		1,779,574	3,406,898	5,186,472
Health and welfare			495,795	495,795
Debt service			55,116	55,116
Unemployment compensation			29,197	29,197
Unassigned	2,085,905			2,085,905
Total Fund Balances	\$ <u>2,085,905</u>	<u>1,779,574</u>	<u>5,448,762</u>	<u>9,314,241</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
 Governmental Funds
 For the Year Ended September 30, 2013

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Countywide Bridge and Culvert Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS				
Property taxes	\$ 1,529,885	19,217	741,147	2,290,249
Road and bridge privilege taxes			112,459	112,459
Licenses, commissions and other receipts	89,630			89,630
Fines and forfeitures	186,780		8,254	195,034
Intergovernmental receipts	1,278,545	26,588	1,084,153	2,389,286
Charges for services			99,019	99,019
Interest income	3,826	1,775	5,628	11,229
Miscellaneous receipts	174,508	38,501	24,097	237,106
Total Receipts	<u>3,263,174</u>	<u>86,081</u>	<u>2,074,757</u>	<u>5,424,012</u>
DISBURSEMENTS				
General government	1,537,886		79,839	1,617,725
Public safety	859,042		172,093	1,031,135
Public works		273,554	2,333,852	2,607,406
Health and welfare	238,117		17,178	255,295
Culture and recreation			6,469	6,469
Education	403,114			403,114
Conservation of natural resources	63,916			63,916
Economic development and assistance	6,926			6,926
Debt service:				
Principal			93,679	93,679
Interest			57,164	57,164
Total Disbursements	<u>3,109,001</u>	<u>273,554</u>	<u>2,760,274</u>	<u>6,142,829</u>
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	<u>154,173</u>	<u>(187,473)</u>	<u>(685,517)</u>	<u>(718,817)</u>
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance			32,000	32,000
Transfers in			1,546	1,546
Transfers out	(1,546)			(1,546)
Total Other Cash Sources and Uses	<u>(1,546)</u>	<u>0</u>	<u>33,546</u>	<u>32,000</u>
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	<u>152,627</u>	<u>(187,473)</u>	<u>(651,971)</u>	<u>(686,817)</u>
Cash Basis Fund Balances - Beginning	<u>1,933,278</u>	<u>1,967,047</u>	<u>6,100,733</u>	<u>10,001,058</u>
Cash Basis Fund Balances - Ending	<u>\$ 2,085,905</u>	<u>1,779,574</u>	<u>5,448,762</u>	<u>9,314,241</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY
Statement of Net Position - Cash Basis - Proprietary Fund
September 30, 2013

Exhibit 5

		Business-type Activities - Enterprise Fund
		Sanitation and Waste Removal Fund
ASSETS		
Cash	\$	129,307
Total Assets		<u>129,307</u>
NET POSITION		
Restricted for:		
Public works		129,307
Total Net Position	\$	<u>129,307</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Net Position -
Proprietary Fund
For the Year Ended September 30, 2013

Exhibit 6

	Business-type Activities - Enterprise Fund
	Sanitation and Waste Removal Fund
Operating Receipts	
Charges for services	\$ 426,229
Miscellaneous	1,226
Total Operating Receipts	<u>427,455</u>
Operating Disbursements	
Personal services	311,224
Contractual services	212,539
Materials and supplies	75,422
Total Operating Disbursements	<u>599,185</u>
Operating Income (Loss)	<u>(171,730)</u>
Nonoperating Receipts (Disbursements)	
Property tax	218,168
Intergovernmental receipts	2,545
Interest income	143
Net Nonoperating Revenue (Disbursements)	<u>220,856</u>
Net Income (Loss)	<u>49,126</u>
Changes in Net Position	49,126
Net Position - Beginning	<u>80,181</u>
Net Position - Ending	<u>\$ 129,307</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2013

Exhibit 7

		Agency Funds
ASSETS		
Cash	\$	<u>611,586</u>
Total Assets	\$	<u><u>611,586</u></u>
LIABILITIES		
Amounts held in custody for others	\$	<u>611,586</u>
Total Liabilities	\$	<u><u>611,586</u></u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY

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FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Franklin County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Franklin County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles applicable to the County's cash basis of accounting.

- Franklin County Memorial Hospital
- Okhissa Lake Sewer District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange receipts and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general receipts of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, Proprietary Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Bridge and Culvert Fund - This fund is used to account for monies from specific sources that are restricted for bridge and culvert maintenance.

The County reports the following major Enterprise Fund:

Sanitation and Waste Removal Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of receipts collected, disbursements paid and/or net income is necessary for management accountability.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints place upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All property taxes are recognized as receipts when collected.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$10,055,134, and the bank balance was \$10,163,565. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2013:

Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 1,546

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(4) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(5) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(6) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Franklin County Board of Supervisors appoints two of the 27 members of the college board of trustees. The County contributed \$177,600 for maintenance and support of the college in fiscal year 2013.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Franklin County Board of Supervisors appoints four of the 40 members of the board of directors. The County contributed \$18,302 for maintenance and support of the district in fiscal year 2013.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Franklin County Board of Supervisors appoints one of the ten members of the board of commissioners. The County contributed \$18,000 for maintenance and support of the Mental Health Complex in fiscal year 2013.

Southwest Mississippi Partnership operates a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members, appointed by each County's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The County contributed \$1,624 for maintenance and support of the Southwest Mississippi Partnership in fiscal year 2013.

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(7) Defined Benefit Pension Plan.

Plan Description. Franklin County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$256,127, \$212,988 and \$198,234, respectively, equal to the required contributions for each year.

FRANKLIN COUNTY

SUPPLEMENTAL INFORMATION

FRANKLIN COUNTY

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FRANKLIN COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture Passed-through the Mississippi State Treasurers Office Schools and roads - grants to states*	10.665	N/A	\$ <u>800,949</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program*	14.239	1222M10SG280260	<u>141,457</u>
U.S. Department of Justice/Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	092L1191	25,068
Edward Byrne memorial justice assistance grant program	16.738	11LB1191-212	<u>2,229</u>
Subtotal			<u>27,297</u>
U.S. Department of Transportation - Federal Highway Administration Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 076 B (19)	<u>25,440</u>
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	4081-DR-MS	<u>16,012</u>
Emergency management performance grants	97.042	N/A	3,182
Emergency management performance grants	97.042	N/A	<u>4,824</u>
Subtotal			<u>8,006</u>
Total U.S. Department of Homeland Security			<u>24,018</u>
Total Expenditures of Federal Awards			\$ <u><u>1,019,161</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting.

* Denotes major federal award program

FRANKLIN COUNTY

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FRANKLIN COUNTY

OTHER INFORMATION

FRANKLIN COUNTY

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FRANKLIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 1,478,850	1,529,885	1,529,885	
Licenses, commissions and other receipts	73,100	89,630	89,630	
Fines and forfeitures	190,600	186,780	186,780	
Intergovernmental receipts	1,355,000	1,278,545	1,278,545	
Interest income	3,900	3,826	3,826	
Miscellaneous receipts	3,700	51,307	174,508	123,201
Total Receipts	<u>3,105,150</u>	<u>3,139,973</u>	<u>3,263,174</u>	<u>123,201</u>
DISBURSEMENTS				
Current:				
General government	66,195	1,537,886	1,537,886	
Public safety		859,042	859,042	
Health and welfare		238,117	238,117	
Education		403,114	403,114	
Conservation of natural resources		63,916	63,916	
Economic development and assistance		6,926	6,926	
Total Disbursements	<u>66,195</u>	<u>3,109,001</u>	<u>3,109,001</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>3,038,955</u>	<u>30,972</u>	<u>154,173</u>	<u>123,201</u>
OTHER CASH SOURCES (USES)				
Transfers out			(1,546)	(1,546)
Other financing sources		131,218		(131,218)
Total Other Cash Sources and Uses	<u>0</u>	<u>131,218</u>	<u>(1,546)</u>	<u>(132,764)</u>
Net Change in Fund Balance	3,038,955	162,190	152,627	(9,563)
Fund Balances - Beginning	<u>1,862,689</u>	<u>1,933,278</u>	<u>1,933,278</u>	
Fund Balances - Ending	<u>\$ 4,901,644</u>	<u>2,095,468</u>	<u>2,085,905</u>	<u>(9,563)</u>

The accompanying notes to the Other Information are an integral part of this statement.

FRANKLIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County wide Bridge and Culvert Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 15,650	19,217	19,217	
Intergovernmental receipts	12,200	22,645	26,588	3,943
Interest income	1,000	1,775	1,775	
Miscellaneous receipts	3,200	42,444	38,501	(3,943)
Total Receipts	<u>32,050</u>	<u>86,081</u>	<u>86,081</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	681,305	273,554	273,554	
Total Disbursements	<u>681,305</u>	<u>273,554</u>	<u>273,554</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(649,255)</u>	<u>(187,473)</u>	<u>(187,473)</u>	
Net Change in Fund Balance	(649,255)	(187,473)	(187,473)	
Fund Balances - Beginning	<u>1,991,000</u>	<u>1,967,047</u>	<u>1,967,047</u>	
Fund Balances - Ending	<u>\$ 1,341,745</u>	<u>1,779,574</u>	<u>1,779,574</u>	<u>0</u>

The accompanying notes to the Other Information are an integral part of this statement.

FRANKLIN COUNTY
Schedule of Investments
For the Year Ended September 30, 2013
UNAUDITED

Fund	Description	Beginning Date	Maturity Date	Interest Rate	October 1 Balance	Purchases	Redeemed Sales	September 30 Balance
OTHER GOVERNMENTAL FUNDS								
	Hancock Horizon Treasury Securities Money Market Mutual Fund		Less than one year		\$ 123,660			123,660
TOTAL GOVERNMENTAL FUNDS					\$ 123,660	0	0	123,660

Franklin County
Schedule of Interfund Loans and Advances
For the Year Ended September 30, 2013
UNAUDITED

The following is a summary of interfund balances at September 30, 2013:

Loan from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at September 30, 2013</u>
General Fund	Other Governmental Funds	\$ <u>14,521</u>

This loan was made to cover cash deficits for a cost reimbursement grant.

FRANKLIN COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2013
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Land	\$ 259,432				259,432
Infrastructure	2,953,998				2,953,998
Buildings	1,947,363				1,947,363
Improvements other than buildings	332,052				332,052
Mobile equipment	3,909,838	201,193	5,300		4,105,731
Furniture and equipment	342,519	38,425	101,052		279,892
Total capital assets	\$ 9,745,202	239,618	106,352	0	9,878,468

Business-type activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Land	\$ 1,516				1,516
Mobile equipment	360,119				360,119
Total capital assets	\$ 361,635	0	0	0	361,635

FRANKLIN COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2013
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2012	Issued	Principal Payments	Balance Sept. 30, 2013
Governmental Activities:							
A. Limited Obligation Bonds:							
Hospital Bond - Series 2003	10/01/2003	07/01/2023	2.00 - 5.50%	\$ 985,000		65,000	920,000
B. Capital Leases:							
Road equipment - Dura Star dump truck	09/25/2012	10/01/2015	2.29%	54,000		16,083	37,917
Road equipment - Dura Star International	12/13/2012	01/01/2016	2.08%		32,000	6,914	25,086
C. Other Loans:							
CAP Loan - Fire truck CAP loan #03-019-CP-01	12/04/2003	01/01/2014	3.00%	6,246		5,682	564
Total				\$ 1,045,246	32,000	93,679	983,567

The accompanying notes to the Other Information are an integral part of this statement.

FRANKLIN COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
Gary Cameron	Supervisor District 1	Western Surety	\$100,000
Chad Smith	Supervisor District 2	Brierfield	\$100,000
George Collins	Supervisor District 3	Brierfield	\$100,000
Jerry Howell	Supervisor District 4	Brierfield	\$100,000
M.L. Ezell	Supervisor District 5	Brierfield	\$100,000
Jill Gilbert	Chancery Clerk	Brierfield	\$100,000
Amanda Perry	Purchase Clerk	Brierfield	\$75,000
Jill Gilbert	Assistant Purchase Clerk	Brierfield	\$50,000
Kristen Temple	Receiving Clerk	Brierfield	\$75,000
David Sanders	Assistant Receiving Clerk	Travelers	\$50,000
James Russell	Assistant Receiving Clerk	Travelers	\$50,000
Robert Peeples	Assistant Receiving Clerk	Brierfield	\$50,000
Brian Ellis	Assistant Receiving Clerk	Travelers	\$50,000
John Scott	Assistant Receiving Clerk	Brierfield	\$50,000
Lee Bethley	Assistant Receiving Clerk	Brierfield	\$50,000
Barbara Brown	Inventory Control Clerk	Brierfield	\$75,000
Charles Brown	Constable	Brierfield	\$50,000
Tommy Myers	Constable	Brierfield	\$50,000
Millie Thornton	Circuit Clerk	Brierfield	\$100,000
Sandra Smith	Deputy Circuit Clerk	Brierfield	\$50,000
James Newman	Sheriff	Brierfield	\$100,000
Brian Monroe	Section 45-5-9 Miss. Code Ann. (1972))	Brierfield	\$50,000
Gordon Dover	Section 45-5-9 Miss. Code Ann. (1972))	Brierfield	\$50,000
Roger Causey	Section 45-5-9 Miss. Code Ann. (1972))	Travelers	\$50,000
James Blackwell	Section 45-5-9 Miss. Code Ann. (1972))	Brierfield	\$50,000
Chris McNinn	Section 45-5-9 Miss. Code Ann. (1972))	Brierfield	\$50,000
Ray Emfinger	Justice Court Judge	Brierfield	\$50,000
Jerry Crane	Justice Court Judge	Brierfield	\$50,000
Gladys Wilcher	Justice Court Clerk	Brierfield	\$50,000
Tonya Balckwell	Deputy Justice Court Clerk	Brierfield	\$50,000
Jeff Mullins	Tax Collector-Assessor	Brierfield	\$100,000
Rhonda Farris	Deputy Tax Collector-Assessor	Brierfield	\$50,000
Vicki Young	Deputy Tax Collector-Assessor	Travelers	\$50,000
Traci Carraway	Deputy Tax Collector-Assessor	Brierfield	\$50,000
Debra Wactor	Solid Waste	Brierfield	\$50,000
Percy Peeler	Coroner	Brierfield	\$2,000

FRANKLIN COUNTY

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FRANKLIN COUNTY

Notes to the Other Information For the Year Ended September 30, 2013 UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund.

(2) Long-term Debt information:

- A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2013, the amount of outstanding debt was equal to .09% of the latest property assessments.

FRANKLIN COUNTY

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FRANKLIN COUNTY

SPECIAL REPORTS

FRANKLIN COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Franklin County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 11, 2014. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-001, 2013-002 and 2013-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Franklin County's Responses to Findings

Franklin County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Franklin County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 11, 2014



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Franklin County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Franklin County, Mississippi's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013. Franklin County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Franklin County, Mississippi's compliance.

Basis for Qualified Opinion on HOME Investment Partnerships Program

As described in the accompanying Schedule of Findings and Questioned Costs, Franklin County, Mississippi did not comply with the compliance requirement regarding eligibility that is applicable to its HOME Investment Partnerships Program as described in item 2013-004. Compliance with such requirements is necessary, in our opinion, for Franklin County, Mississippi, to comply with the requirements applicable to that program.

Qualified Opinion on HOME Investment Partnerships Program

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, Franklin County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the HOME Investment Partnership Program for the year ended September 30, 2013.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Franklin County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of Franklin County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-004 to be a material weakness.

Franklin County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Franklin County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 11, 2014

FRANKLIN COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Franklin County, Mississippi

We have examined Franklin County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Franklin County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

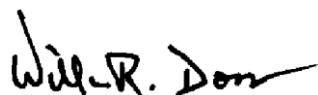
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Franklin County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Franklin County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Franklin County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 11, 2014

FRANKLIN COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

Our test results did not identify any purchases from other than the lowest bidder.

FRANKLIN COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/01/2012	Electric work	\$ 1,542	Rudan Pernell	Power pole accidentally pulled away from a home while removing fallen tree.
10/15/2012	Fuel	3,649	Buffalo Services	Kaiser Petroleum could not deliver fuel when needed.
06/17/2013	Contract labor	800	Clarence Harris	Rotten and falling trees had to be cut as they posed detriment to County roads.

FRANKLIN COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

Our test results did not identify any purchases made noncompetitively from a sole source.

FRANKLIN COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Franklin County, Mississippi

In planning and performing our audit of the financial statements of Franklin County, Mississippi (the County) for the year ended September 30, 2013, we considered Franklin County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Franklin County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 11, 2014, on the financial statements of Franklin County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 11, 2014

FRANKLIN COUNTY

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FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FRANKLIN COUNTY

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FRANKLIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
Countywide Bridge and Culvert Fund	Unmodified
Sanitation and Waste Removal Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? None Reported
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? Yes
 - b. Significant deficiency identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs:
 - a. CFDA #10.665, Schools and roads grants to states Unmodified
 - b. CFDA #14.239, HOME Investment partnerships program Qualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section ____ .510(a) of OMB Circular A-133? Yes
7. Identification of major programs:
 - a. CFDA #10.665, Schools and roads grants to states
 - b. CFDA #14.239, HOME Investment partnerships program
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No

FRANKLIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. The duties of the Solid Waste Office should be segregated.

Finding

To ensure a proper accounting of funds, the duties of receiving, receipting, recording, performing reconciliations and authorizing disbursements should be segregated. As reported in the prior three years' audit reports, based on inquiries of County personnel and test work performed, it was noted that receiving, receipting, recording, performing reconciliations and authorizing disbursements within the Solid Waste office was not properly segregated to assure adequate internal control structure. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

Management should be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of operations and a periodic review of operations.

Material Weakness

2013-002. Internal controls should be strengthened over non-routine changes and deletions of solid waste accounts.

Finding

An effective system of internal control for the collection of solid waste account payments should include obtaining written approval from the Board of Supervisors before making any non-routine changes or deletions to solid waste user accounts.

As reported in the prior year's audit report, the following were noted:

- a. Non-routine changes and deletions were made to some solid waste accounts without written approval from the Board of Supervisors.
- b. Notes and comments in some solid waste accounts did not include dates and detailed information of the changes or deletions.

These conditions could result in account transactions being deleted without proper approval, not being recorded, errors not being detected, and loss of public funds.

Recommendation

The Board of Supervisors should approve all non-routine changes or deletions made to any solid waste accounts and should provide dates and detailed information of changes or deletions noted in the notes/comments section of the solid waste user account.

FRANKLIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Sheriff.

Material Weakness

2013-003. The Sheriff's Office should make daily deposits.

Finding

An effective system of internal controls over cash requires that daily bank deposits be made. As reported in the last five years' audit reports, the Sheriff failed to make daily deposits throughout the fiscal year. This failure to make daily deposits could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should implement internal controls to ensure that daily bank deposits are made.

Section 3: Federal Award Findings and Questioned Costs

2013-004. The County should establish controls to ensure applicants are evaluated and ranked according to priority.

14.239 HOME investment partnerships program Grant number: 1222M10SG280260, U.S. Department of Housing and Urban Development Passed through the Mississippi Development Authority

Material Weakness

Material Noncompliance

Questioned Costs: \$141,457

Compliance Requirement: Eligibility

Finding

The *Franklin County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* specify that applicants shall be ranked according to priority based on very low-income households and homes most in need of repairs.

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that applicants were ranked and chosen according to priority. Only the applications of those selected for participation in the HOME program and submitted to the Mississippi Development Authority were included in the file. As a result, there was no documentation to support that applicants receiving HOME program assistance were those of the highest priority.

Recommendation

The Franklin County Board of Supervisors should take steps to ensure that controls are in place to ensure that applicants both applying for and receiving assistance are evaluated and ranked according to priority areas established in the *Franklin County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* and supporting documentation is retained in the file.

FRANKLIN COUNTY

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FRANKLIN COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

FRANKLIN COUNTY

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**FRANKLIN COUNTY
BOARD OF SUPERVISORS**

36 Main Street • Meadville, Mississippi 39653
Phone: (601) 384-2330 • Fax: (601) 384-5864

CORRECTIVE ACTION PLAN

February 19, 2014

Office of the State Auditor
501 N. West Street, Suite 801
Jackson, Mississippi 39201

Gentlemen:

Franklin County respectfully submits the following corrective action plan for the year ended September 30, 2013.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

2013-001 Corrective Action Planned:

Due to a limited number of clerks (2) in the solid waste department, segregating duties is difficult. The Board recognizes this issue and the Chancery Clerk is now reviewing the bank statements and reconciliations on a monthly basis.

Anticipated Completion Date: September 30, 2014

Name of Contact Person Responsible for Corrective Action:

Jill Gilbert (601) 384-2330

2013-002 Corrective Action Planned:

Non routine changes and deletions made to any solid waste account are now being made through Board approval and Board orders shown through the minutes. Solid waste employees are made aware of the Board's decision and detailed notes are added to the solid waste accounts as ordered.

Anticipated Completion Date: September 30, 2014

Name of Contact Person Responsible for Corrective Action:

Jill Gilbert (601) 384-2330

2013-003 Corrective Action Planned:

Since May of 2013, the Sheriff's office has been involved in implementing a new communication system and has encountered extra expenses. The Sheriff's office has continued to use communication personnel in dual roles with dispatching, jailer and clerical duties. Our cost has been higher than expected for this budget year. I have discussed this on a monthly basis with the Chancery Clerk.

In January of 2014, we have discussed in detail the fact that we will probably hire a new employee in the Sheriff's office. We also acknowledge that no monetary deficiencies have been discovered in the past audits. We will make every effort to comply with the findings of the audit department.

Anticipated Completion Date: September 30, 2014

Name of Contact Person Responsible for Corrective Action

Jill Gilbert (601) 384-2330

2013-004 Corrective Action Planned:

The Board will comply with this finding. We will ensure that all applications for future HOME projects are on file with the grant administrator's office.

Anticipated Completion Date: September 30, 2014

Name of Contact Person Responsible for Corrective Action

Jill Gilbert (601) 384-2330